

Message Text

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51

ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 AEC-07 AID-05 CEA-01 CIAE-00

CIEP-02 COME-00 DODE-00 EB-06 FEAE-00 FPC-01 H-02

INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 FRB-01 PA-02

PRS-01 USIA-15 IO-10 ARA-10 /135 W

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P R 211128Z OCT 74

FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC PRIORITY 847

INFO AMEMBASSY CAIRO

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMEMBASSY VIENNA

AMCONSUL DHAHRAN

USOECN PARIS

UNCLAS BEIRUT 12577

DEPT PASS AS WARRANTED

E.O. 11652: N/A

TAGS: ENRG, OPEC, SA

SUBJECT: SAUDIS DENY "RENEGING" ON ARAMCO LEVIES

1. IN STATEMENT PUBLISHED IN BEIRUT'S MIDDLE EAST
ECONOMIC SURVEY (MEES) OF OCTOBER 18, "AN AUTHORITATIVE
SAUDI ARABIAN SOURCE" STRONGLY DENIED RECENT PRESS
REPORTS THAT SAUDIS HAVE INSTRUCTED ARAMCO TO PAY IN
FULL AND RETROACTIVELY OPEC ROYALTY AND INCOME TAX
INCREASES OF JULY 1 AND OCTOBER 1, INCREASES FROM WHICH
SAUDIS HAD PUBLICLY DISSOCIATED SELVES WHILE ARAMCO
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PARTICIPATION NEGOTIATIONS CONTINUING.

2. SAUDI SOURCE SAID SAUDIS HAVE MERELY INFORMED ARAMCO PARENTS THAT OPEC INCREASES WILL BE APPLIED TO ARAMCO RETROACTIVELY IF RPT IF THERE NO RPT NO NEW PARTICIPATION AGREEMENT, ACCORDING MEES.

3. SAUDI STATEMENT PUBLISHED MEES SAID:
"THOSE WHO MAKE THESE ALLEGATIONS ARE EITHER IGNORANT OR BIASED, BECAUSE OPEC PRESS COMMUNIQUE ISSUED AT BOTH QUITO CONFERENCE IN JUNE AND VIENNA CONFERENCE IN SEPTEMBER CLEARLY SPELLED OUT REASON WHY SAUDI ARABIA WAS DISSOCIATING ITSELF FROM THE ROYALTY AND TAX INCREASES DECIDED UPON BY OPEC. THE COMMUNIQUE SAID SAUDI ARABIA WOULD NOT ASSOCIATE ITSELF WITH THESE ROYALTY AND TAX INCREASES FOR THE TIME BEING IN THE HOPE OF REACHING A NEW ARRANGEMENT WITH THE FOREIGN OWNERS OF ARAMCO. THE FACT IS THAT SAUDI ARABIA UP TO NOW DID NOT DECIDE TO IMPOSE THE NEW TAX AND ROYALTY RATES. ALL THAT HAS HAPPENDED IS THAT THE OIL COMPANIES HAVE BEEN INFORMED THAT IN THE EVENT WE FAIL TO REACH A NEW AGREEMENT, THEN THE ADDITIONAL ROYALTY AND TAX WILL BE IMPOSED RETROACTIVELY, EXACTLY AS IN THE OTHER MEMBER STATES OF OPEC. THERE IS THUS NO QUESTION OF SAUDI ARABIA HAVING REVERSED ITS POLICY OR RENEGED ON ITS PLANS AS HAS BEEN ALLEGED IN SOME WESTERN PRESS REPORTS, AND IN VIEW OF THIS FACT THESE PRESS ATTACKS ARE BOTH ILLOGICAL AND IRRESPONSIBLE".

4. MEES NOTED THAT INCREASES WOULD HAVE INCREASED SAUDI TAKE AND TAX PAID COST ON EQUITY CRUDE BY \$1.25 TO \$8.26 AND \$8.36/BARREL AND, WHEN 40 PERCENT BUY-BACK ASSUMED, WOULD HAVE RAISED OVERALL WEIGHTED AVERAGE TAKE AND COST BY 50 CENTS TO \$9.74 AND \$9.80.

5. ACCORDING FINANCIAL TIMES REPORT (OCT. 17) OF SAUDI REVERSAL, ARAMCO PARENTS HAD CONFIRMED THAT SAUDIS HAD ORDERED OPEC LEVIES PAID.

6. COMMENT: IT INTERESTING TO NOTE THAT ALLEGATION OF SAUDI ORDER ORIGINATED PETROLEUM INTELLIGENC UNCLASSIFIED

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WEEKLY (PIW), WHICH RECENTLY HAD CORRECTED MEES REPORT THAT SAUDI PRODUCTION CAPACITY ALREADY EXCEEDS 10 MILLION BPD. MEES HAS NOW EVENED SCORE WITH PIW. GODLEY

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, PRESS COMMENTS, ROYALTIES, INCOME TAXES
Control Number: n/a
Copy: SINGLE
Draft Date: 21 OCT 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BEIRUT12577
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740299-0398
From: BEIRUT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741032/aaaabasw.tel
Line Count: 111
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 11 MAR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 MAR 2002 by chappeld>; APPROVED <23 MAY 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SAUDIS DENY "RENEGING" ON ARAMCO LEVIES
TAGS: ENRG, SA, ARAMCO
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005